

## Poverty Data

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Table 3.E1 presents the weighted average poverty thresholds for families in the United States for 1959–98. Table 3.E2 presents data on the number and percent of persons in poverty in the United States for 1959–97. Tables 3.E3, 3.E4, and 3.E6 present more detailed data on persons and families in poverty in the United States during 1997. Table 3.E8 presents poverty guidelines by family size for the contiguous United States, Alaska, and Hawaii for 1965–99, issued (since 1982) by the Department of Health and Human Services. Poverty thresholds are used primarily for statistical purposes, while poverty guidelines are used for administrative purposes—for example, to determine whether a person or family is financially eligible for assistance or services under certain federal government programs (not including cash public assistance).

The procedure for calculating the poverty thresholds, originally developed in 1963–64 by Mollie Orshansky of the Social Security Administration, was modified by federal interagency committees in 1969 and 1981. The poverty thresholds consist of a set of dollar figures that vary by family size and composition. The thresholds are a statistical measure based on income-food expenditure patterns (from the Department of Agriculture's 1955 Household Food Consumption Survey) and cost of the Department of Agriculture's economy food plan. (See Joseph Dalaker and Mary Naifeh, U.S. Census Bureau, "Poverty in the United States, 1997," *Current Population*

*Reports: Consumer Income*, Series P60-201, Appendix A, for an explanation of the poverty definition.)

These income criteria for determining the extent of poverty in the United States have become the basis for the official statistics issued annually by the Census Bureau in the *Current Population Reports* series.

The poverty thresholds are adjusted to reflect changes in the annual average Consumer Price Index (CPI-U). (See U.S. Bureau of the Census, "Revision in Poverty Statistics, 1959 to 1968," *Current Population Reports: Special Studies*, Series P-23, No. 28; and Directive No. 14, "Definition of Poverty for Statistical purposes," *Statistical Policy Handbook*, 1978, Office of Federal Statistical Policy and Standards, Department of Commerce.)

The poverty guidelines, a simplified version of the poverty thresholds, vary by family size; there are separate sets of guidelines for the two noncontiguous states (Hawaii and Alaska). The guidelines are used for determining whether a person or family is financially eligible for assistance or services under certain federal programs. Authorizing legislation or regulations for specific programs indicate whether a program uses the poverty guidelines as one of several eligibility criteria, uses a modification of the guidelines (for example, 130 percent or 185 percent of the guidelines), or uses them for the purpose of setting priorities in providing assistance or services.

Since 1973, the guidelines have been computed from the official poverty

thresholds by increasing the weighted average poverty thresholds by the percentage change in the CPI-U during the preceding year and rounding the value for a family of four up to the next higher \$50. All family sizes over and under four persons are computed by adding or subtracting equal dollar amounts derived from the average difference between poverty lines; for families with one to eight persons, the value is rounded to the nearest multiple of \$20.

The thresholds were calculated using data (the 1955 Household Food Consumption Survey) that defined income as after-tax money income and were intended to be applied (as a measure of income inadequacy) to data on money income. The National Research Council's Panel on Poverty and Family Assistance put great emphasis on the principle of consistency in poverty measurement—that the definition of family resources (income) used should be consistent with the concept underlying the poverty thresholds. (For a discussion of this principle, see *Measuring Poverty: A New Approach*, Constance F. Citro and Robert T. Michael (eds.), Washington, DC, National Academy Press, 1995, pp. 4, 9–10, 37–40, 65–66, 98, 203–206, and 227–231. This important report proposed a new approach for developing an official poverty measure for the United States.) According to the Panel's principle of consistency, it would be inappropriate to apply the current poverty thresholds (calculated using an income definition of after-tax money income) to an income distribution using an income definition of money income plus selected noncash benefits.

Before 1980, for statistical classification of families as poor, the Census Bureau used a matrix of 124 detailed poverty thresholds based on the total number of family members, the number of family members who were children, the sex of the family householder, the age of the individual or family householder (for one- and two-person units only), and whether the family lived on

a farm. The current matrix of poverty thresholds used by the Census Bureau to determine the poverty status of families and unrelated individuals consists of a set of 48 thresholds arranged in a two-dimensional matrix by family size (from one person, that is, an unrelated individual, to a family of nine or more persons) cross-classified by the presence and number of family members under age 18 (from no children to eight or more children present). Unrelated individuals and two-person families are further differentiated by the age of the individual or family householder (under age 65 and aged 65 or older).

The total money income of each family in the CPS sample is tested against the appropriate (detailed) poverty threshold to determine the poverty status of that family. If the family's total money income is less than its corresponding threshold, the family is classified as being in poverty. The poverty thresholds generally cited for specific family sizes represent the weighted average of individual thresholds for families of different composition at that size. The weighted average threshold for a given family size is obtained by multiplying the threshold for each family size subcategory by the number of families in that subcategory. These products are then aggregated across the entire range of family-size categories, and the total aggregate is divided by the total number of families in the group to yield the weighted average poverty threshold for that family size.

From 1969 to 1980, families living on farms were assumed to need 85 percent of the cash income of corresponding nonfarm families. (Figures for prior years were retabulated retrospectively on this basis.) Several changes were implemented with the 1980 Census and the March 1982 CPS: [1] elimination of separate thresholds for farm families, [2] elimination (through appropriate averaging) of separate thresholds for female-householder and "all other" families, and [3] extension of the poverty matrix to make the largest

family size category "nine persons or more" rather than "seven or more persons" (see U.S. Bureau of the Census, "Characteristics of the Population Below the Poverty Level: 1980," *Current Population Reports*, Series P-60, No. 133, pp. 2–5, 9, and 186).

The current official definition of poverty dates back more than 30 years to the 1960s. In 1990, Congress requested a study of the official U.S. poverty measure by the National Research Council (NRC) to provide a basis for a possible revision of the poverty measure. In 1992, the NRC's Committee on National Statistics appointed a Panel on Poverty and Family Assistance to conduct this study. In 1995, the Panel published its report of the study, *Measuring Poverty: A New Approach*, Constance F. Citro and Robert T. Michael (eds.), Washington, DC, National Academy Press, 1995. In the report, the Panel proposed a new approach for developing an official poverty measure for the United States—although it did not propose a specific set of dollar figures. The Panel's proposed approach focused on three major areas: new poverty thresholds, a new definition of family resources (income), and data sources.

The Census Bureau, in collaboration with the Bureau of Labor Statistics, is currently preparing a report that will examine the effects of different resource definitions and thresholds on poverty.

Data on the poverty population and on family and personal income are collected in the March Current Population Survey (CPS). Data from the March survey are also known as the Annual Demographic File. Following the standard Census Bureau definition, the family is defined as two or more persons related by birth, marriage, or adoption and residing together. "Income" refers to money income from all sources, including public income transfers, but before federal, state, or local personal income taxes. Money income does not reflect the fact that many families receive part of their income in kind—in the form of nonmoney transfers such as employee

use of business transportation and facilities, employer-paid health insurance and other employer-supported fringe benefits, Medicare, Medicaid, food stamps, and housing assistance. Many farm families receive part of their income in the form of rent-free housing or goods produced and consumed by the family.

Once a year, in March, the sample of U.S. households interviewed in the monthly CPS is asked to provide information on household members' incomes during the preceding calendar year. Survey experience indicates that respondents tend to underreport their income in household surveys. Underreporting is most pronounced for dividends, interest and workers' compensation; less pronounced for veterans' payments, public assistance, and private pensions; and modest for Social Security and federal retirement programs. The proportion of nonresponses to CPS income questions is greater among middle income and higher income families than among lower income families.

It should be noted that changes have occurred in the sample size, content, and procedures of the CPS over the years. Since 1959—the first year for which poverty statistics using the current official definition are available—the number of households interviewed has changed, the definition of farm residence was altered, the number of income types separately identified has been increased, and more sophisticated allocation procedures have been developed for income items respondents failed to report. Medians computed by the of the Census Bureau for 1979 through 1987 were calculated using Pareto interpolation if the median estimate contained high-income persons, families, and households. All median incomes for 1975 and earlier and those for years after 1987 were computed using linear interpolation. Because of these changes, the income and poverty data and medians as reported yearly by the Census Bureau do not in the strictest sense form a continuous series.

The major modifications introduced in March 1980 rendered interpretation of change from 1978 to 1979 particularly difficult. In March 1980, the sample size was expanded considerably. The number and type of questions relating to income received in 1979 changed, as did the procedure for allocating the reported income among family members. The description of family structure was changed—eliminating secondary families and replacing the concept of “family head” with that of “householder” or “reference person.” Such modifications result in adding to the number of households designated as having a female head some husband-wife families that formerly would have been classified as having a male head. Another consequence is the sharp rise in the number of households—poor and nonpoor alike—credited with income received from dividends, interest, and rent, or from pensions other than Social Security. The 1978–79 increase in these characteristics is much greater than one would normally expect for a single year and should not be attributed to economic and social factors alone. Comparison of data for 1979 [obtained in March 1980] with those for 1978 and earlier years should make allowance for the differences in survey techniques. Moreover, data for 1980 [collected in March 1981] have been adjusted to new controls introduced in the 1980 Census, and data for 1992 and following have been adjusted to 1990 Census population controls.